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FORM X-17A-5
PART III**

SEC FILE NUMBER

8-26883

FACING PAGE**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Fox & Henry, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box)

455 S. Frontage Road

(No. and Street)

Burr Ridge,

(City)

Illinois

(State)

60527

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

William E. Fox

630-325-4445

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

George Korbakes & Co. L.L.P.

(Name — if individual, state last, first, middle name)

745 McClintock Drive, Burr Ridge, IL

(Address)

(City)

(State)

60527

Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

MAR 31 2005

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

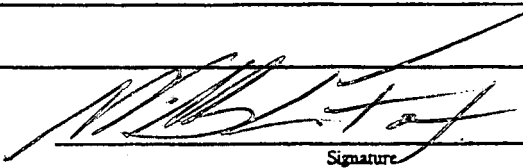
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contained in this form are not required to respond unless the form displays
a currently valid OMB control number.14
924

OATH OR AFFIRMATION

I, William E. Fox, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fox & Henry, Inc., as of December 31, ~~19~~2004 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

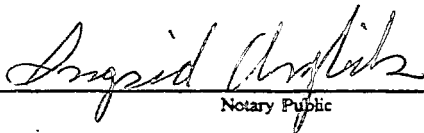
Secondary Income Fund IV, Secondary Income Fund V,

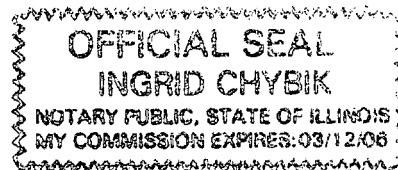
Secondary Income Fund VI


Signature

President

Title


Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FORM X-17A-5

(Financial and Operational Combined Uniform Single Report)

FOCUS REPORT

(531-87)

PART IIA 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) ☒ 16 2) Rule 17a-5(b) ☐ 17 3) Rule 17a-11 ☐ 18
4) Special request by designated examining authority ☐ 19 5) Other ☐ 26

NAME OF BROKER-DEALER

Fox & Henry, Inc. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

455 S. Frontage Road 20

(No. and Street)

Burr Ridge 21

IL 22

60527 23

(City)

(State)

(Zip Code)

SEC FILE NO.

8-26883 14

FIRM ID. NO.

0911 15

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/2004 24

AND ENDING (MM/DD/YY)

12/31/2004 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

William E. Fox 30

(Area Code)—Telephone No.

630-325-4445 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS?

YES ☐ 40

NO ☐ 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

☐ 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 21st day of February, 2005

Manual signatures of

1)

Principal Executive Officer or Managing Partner

2)

Principal Financial Officer or Partner

3)

Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

8A-U10210-J
FOX & HENRY, INC.
INGRID CHYBIK
6428 JOLIET ROAD,
COUNTRYSIDE
IL 60525

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

George Korbakes & Co. L.L.P.

70

ADDRESS Number and Street City State Zip Code

745 McClintock Dr., Ste. 210, Burr Ridge,

IL

60527

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Check One

☒ Certified Public Accountant

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☐ Public Accountant

76

☐ Accountant not resident in United States or
any of its possessions

77

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| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|---------------|-------------------------|---------------|------|--|--|--|--|
| 50 | 51 | 52 | 53 | | | | |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

Fox & Henry, Inc.

N 3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 12/31/2004

SEC FILE NO. 8-26883

Consolidated

Unconsolidated

Total

ASSETS

| | Allowable | Non-Allowable | Total |
|--|---------------|---------------|---------------|
| 1. Cash | \$ 37,830 200 | | \$ 37,830 750 |
| 2. Receivables from brokers or dealers: | | | |
| A. Clearance account | 295 | | |
| B. Other | 300 | \$ 550 | 810 |
| 3. Receivables from non-customers | 355 | 600 | 830 |
| 4. Securities and spot commodities owned, at market value: | | | |
| A. Exempted securities | 418 | | |
| B. Debt securities | 419 | | |
| C. Options | 420 | | |
| D. Other securities | 424 | | |
| E. Spot commodities | 430 | | 850 |
| 5. Securities and/or other investments not readily marketable: | | | |
| A. At cost \$ | 130 | | |
| B. At estimated fair value | 440 | 610 | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | 460 | 630 | 880 |
| A. Exempted securities \$ | 150 | | |
| B. Other securities \$ | 160 | | |
| 7. Secured demand notes: market value of collateral: | 470 | 640 | 890 |
| A. Exempted securities \$ | 170 | | |
| B. Other securities \$ | 180 | | |
| 8. Memberships in exchanges: | | | |
| A. Owned, at market \$ | 190 | | |
| B. Owned, at cost | | 650 | |
| C. Contributed for use of the company, at market value | | 660 | 900 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | 480 | 670 | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | 490 | 680 | 920 |
| 11. Other assets | 535 | 1,078 735 | 1,078 930 |
| 12. TOTAL ASSETS | \$ 37,830 540 | \$ 1,078 740 | \$ 38,908 940 |

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **Fox & Henry, Inc.**

as of 12/31/2004

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u> | <u>A.I. Liabilities</u> | <u>Non-A.I. Liabilities</u> | <u>Total</u> |
|---|-----------------------------|---------------------------------|--------------|
| 13. Bank loans payable..... | \$ 1045 | \$ 1255 | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account..... | 1114 | 1315 | 1560 |
| B. Other..... | 341 1115 | 1305 | 341 1540 |
| 15. Payable to non-customers..... | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value..... | | 1360 | 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other..... | 1205 | 1385 | 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured..... | 1210 | | 1690 |
| B. Secured..... | 1211 | 1390 | 1700 |
| 19. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | 1400 | 1710 |
| 1. from outsiders \$ 970 | | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ 980 | | | |
| B. Securities borrowings, at market value:... | | 1410 | 1720 |
| from outsiders \$ 990 | | | |
| C. Pursuant to secured demand note collateral agreements: | | 1420 | 1730 |
| 1. from outsiders \$ 1000 | | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ 1010 | | | |
| D. Exchange memberships contributed for use of company, at market value..... | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes..... | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES..... | \$ 341 1230 | \$ 1450 | \$ 341 1760 |

Ownership Equity

| | |
|---|---------------|
| 21. Sole proprietorship..... | \$ 1770 |
| 22. Partnership (limited partners.....) | 1020 1780 |
| 23. Corporation: | |
| A. Preferred stock..... | 1791 |
| B. Common stock..... | 1000 1792 |
| C. Additional paid-in capital..... | 7000 1793 |
| D. Retained earnings..... | 30567 1794 |
| E. Total..... | 38567 1795 |
| F. Less capital stock in treasury..... | 1796 |
| 24. TOTAL OWNERSHIP EQUITY..... | \$ 38567 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY..... | \$ 38908 1810 |

OMIT PENNIES

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **Fox & Henry, Inc.**

as of 12/31/2004

COMPUTATION OF NET CAPITAL

| | | | |
|--|--------------------|-------|------|
| 1. Total ownership equity from Statement of Financial Condition | \$ | 38567 | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | ▼ ¹⁹ | | 3490 |
| 3. Total ownership equity qualified for Net Capital | | 38567 | 3500 |
| 4. Add: | | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | | | 3520 |
| B. Other (deductions) or allowable credits (List) | | | 3525 |
| 5. Total capital and allowable subordinated liabilities | \$ | 38567 | 3530 |
| 6. Deductions and/or charges: | ▼ ¹⁷ | | |
| A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) \$ | 1078 | 3540 | |
| B. Secured demand note deficiency | | 3590 | |
| C. Commodity futures contracts and spot commodities- proprietary capital charges | | 3600 | |
| D. Other deductions and/or charges | | 3610 | |
| 7. Other additions and/or allowable credits (List) | (| 1078 | 3620 |
| 8. Net capital before haircuts on securities positions | ▼ ²⁰ \$ | 37489 | 3640 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)): | | | |
| A. Contractual securities commitments | \$ | 3660 | |
| B. Subordinated securities borrowings | | 3670 | |
| C. Trading and investment securities: | ▼ ¹⁸ | | |
| 1. Exempted securities | | 3735 | |
| 2. Debt securities | | 3733 | |
| 3. Options | | 3730 | |
| 4. Other securities | | 3734 | |
| D. Undue Concentration | | 3650 | |
| E. Other (List) | | 3736 | |
| 10. Net Capital | (| 37489 | 3740 |
| | \$ | 37489 | 3750 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Fox & Henry, Inc.**

as of 12/31/2004

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|----|-------|------|
| 11. Minimum net capital required (6-2/3% of line 19) | \$ | | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 5000 | 3758 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 5000 | 3760 |
| 14. Excess net capital (line 10 less 13) | \$ | 32489 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | 37455 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|----|------|------|
| 16. Total A.L. liabilities from Statement of Financial Condition | \$ | 341 | 3790 |
| 17. Add: | | | |
| A. Drafts for immediate credit | \$ | 3800 | |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 | |
| C. Other unrecorded amounts (List) | \$ | 3820 | 3830 |
| 19. Total aggregate indebtedness | \$ | 341 | 3840 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) | % | .9 | 3850 |
| 21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) | % | | 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | | |
|--|----|--|------|
| 22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | | 3870 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | | 3880 |
| 24. Net capital requirement (greater of line 22 or 23) | \$ | | 3760 |
| 25. Excess net capital (line 10 less 24) | \$ | | 3910 |
| 26. Net capital in excess of: 5% of combined aggregate debit items or \$120,000 | \$ | | 3920 |

OMIT PENNIES

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER Fox & Henry, Inc.

For the period (MMDDYY) from 01/01/04 3932 to 12/31/04 3933
Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

| | | | |
|---|----|-------|------|
| 1. Commissions: | | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | \$ | | 3935 |
| b. Commissions on listed option transactions | | | 3938 |
| c. All other securities commissions | | 85354 | 3939 |
| d. Total securities commissions | | | 3940 |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in options on a national securities exchange | | | 3945 |
| b. From all other trading | | | 3949 |
| c. Total gain (loss) | | | 3950 |
| 3. Gains or losses on firm securities investment accounts | | | 3952 |
| 4. Profit (loss) from underwriting and selling groups | | | 3955 |
| 5. Revenue from sale of investment company shares | | | 3970 |
| 6. Commodities revenue | | | 3990 |
| 7. Fees for account supervision, investment advisory and administrative services | | | 3975 |
| 8. Other revenue | | 113 | 3995 |
| 9. Total revenue | \$ | 85467 | 4030 |

EXPENSES

| | | | |
|--|----|-------|------|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | \$ | | 4120 |
| 11. Other employee compensation and benefits | | | 4115 |
| 12. Commissions paid to other broker-dealers | | 65197 | 4140 |
| 13. Interest expense | | | 4075 |
| a. Includes interest on accounts subject to subordination agreements | | 4070 | |
| 14. Regulatory fees and expenses | | 1720 | 4195 |
| 15. Other expenses | | 6602 | 4100 |
| 16. Total expenses | \$ | 73519 | 4200 |

NET INCOME

| | | | |
|---|----|-------|------|
| 17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) | \$ | 11948 | 4210 |
| 18. Provision for Federal income taxes (for parent only) | | | 4220 |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | | 4222 |
| a. After Federal income taxes of | | 4238 | |
| 20. Extraordinary gains (losses) | | | 4224 |
| a. After Federal income taxes of | | 4239 | |
| 21. Cumulative effect of changes in accounting principles | | | 4225 |
| 22. Net income (loss) after Federal income taxes and extraordinary items | \$ | 11948 | 4230 |

MONTHLY INCOME

| | | | |
|---|----|--|------|
| 23. Income (current month only) before provision for Federal income taxes and extraordinary items | \$ | | 4211 |
|---|----|--|------|

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER Fox & Henry, Inc.

For the period (MMDDYY) from 01/01/04 to 12/31/04

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

| | | | |
|---|----|-------|------|
| 1. Balance, beginning of period | \$ | 26619 | 4240 |
| A. Net income (loss) | | 11948 | 4250 |
| B. Additions (Includes non-conforming capital of | \$ | 4262 | 4260 |
| C. Deductions (Includes non-conforming capital of | \$ | 4272 | 4270 |
| 2. Balance, end of period (From item 1800) | \$ | 38567 | 4290 |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

| | | |
|--|----|------|
| 3. Balance, beginning of period | \$ | 4300 |
| A. Increases | | 4310 |
| B. Decreases | | 4320 |
| 4. Balance, end of period (From item 3520) | \$ | 4330 |

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER Fox & Henry, Inc.

as of 12/31/2004

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- | | |
|---|-----------------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | <div>4550</div> |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained 5000 Required See attached | <div>4580</div> |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <div>4335</div> | <div>4570</div> |
| D. (k) (3)—Exempted by order of the Commission | <div>4580</div> |

FOX & HENRY, INC.
ADDENDUM TO QUESTION 25
FOCUS PART IIA
FORM X-17A-5
DECEMBER 31, 2004

We sell partnership interests in real estate, oil and gas partnerships on a commission basis. We do not collect any cash, which is paid by customer directly to issuing partnership. Neither do we hold any securities for customers. However, we have established a segregated cash account for the exclusive benefit of customers. Due to the nature of our business, the only transaction ever recorded in this account was the opening deposit.

Report Pursuant to S.E.C. Rule 17a-5(d)
Fox & Henry, Inc.
December 31, 2004



George Korbakes & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Fox & Henry, Inc.

We have audited the accompanying balance sheet of Fox & Henry, Inc. an Illinois S corporation as of December 31, 2004, and the related statements of operations & retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fox & Henry, Inc. as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but it is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole and in conformity with rules of the Securities and Exchange Commission.


Burr Ridge, Illinois

February 21, 2004

Member: American Institute of Certified Public Accountants and Illinois CPA Society

FOX & HENRY, INC.
BALANCE SHEET
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

| | |
|--------------------|---------------|
| Cash | \$ 19,650 |
| Money market funds | <u>18,180</u> |
| Total | <u>37,830</u> |

OTHER ASSETS

| | |
|------------------|--------------|
| Security deposit | <u>1,078</u> |
| Total | <u>1,078</u> |

Total Assets **\$ 38,908**

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | |
|------------------|---------------|
| Accounts payable | \$ <u>341</u> |
| Total | <u>341</u> |

STOCKHOLDERS' EQUITY

| | |
|--|---------------|
| Common Stock; no par value; 1,000 shares authorized, 500 issued | 1,000 |
| Additional paid-in capital | 7,000 |
| Retained earnings | <u>30,567</u> |
| Total | <u>38,567</u> |

Total Liabilities and Stockholders' Equity **\$ 38,908**

The Accompanying Notes are an Integral Part of these Financial Statements

FOX & HENRY, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR DECEMBER 31, 2004

| | |
|--|-------------------|
| Commission Income | \$ <u>85,354</u> |
| Operating Expenses | |
| Commissions | 65,197 |
| Salaries | 32,388 |
| Education & Training | 75 |
| Payroll taxes | 2,961 |
| Licenses and regulatory fees | 1,720 |
| Legal and accounting | 3,100 |
| Miscellaneous | 188 |
| Rent | 14,484 |
| Office supplies and expense | 1,292 |
| Telephone | 2,082 |
| Printing and postage | 1,263 |
| Outside services | 1,622 |
| Insurance | 9,154 |
| Travel and entertainment | 1,545 |
| Dues and publications | 1,730 |
| Supplies | 275 |
| Office overhead reimbursed | (<u>65,557</u>) |
| Total | <u>73,519</u> |
| Income from operations | 11,835 |
| Other income – interest | <u>113</u> |
| Net Income | 11,948 |
| Retained earnings at beginning of year | <u>18,619</u> |
| Retained earnings at end of year | \$ <u>30,567</u> |

The Accompanying Notes are an Integral Part of these Financial Statements

FOX & HENRY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2004

Cash Flows Provided by Operating Activities

| | |
|----------------------------|--------------------|
| Collections from customers | \$ 150,911 |
| Cash paid to suppliers | (<u>139,516</u>) |

Net Cash Provided by Operating Activities 11,395

Cash Flows Used In Investing Activities:

| | |
|---|------------|
| Interest received | <u>113</u> |
| Net Cash Provided By Investing Activities | <u>113</u> |

Net Increase in Cash 11,508

| | |
|---------------------------|------------------|
| Cash at beginning of year | <u>26,322</u> |
| Cash at end of year | \$ <u>37,830</u> |

| | |
|--|-----------|
| Reconciliation of Net Income to Net Cash Provided by Operating Activities | \$ 11,948 |
|--|-----------|

Net Income

Adjustments to reconcile net Income
to net cash used by operating activities:

| | |
|---------------------------------|--------------|
| Decrease in accounts payable | (437) |
| Decrease in accrued liabilities | (<u>3</u>) |

Net Cash Provided by Operating Activities \$ 11,508

The Accompanying Notes are an Integral Part of these Financial Statements

FOX & HENRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

Business

Fox & Henry, Inc. was incorporated on September 8, 1981, and is a broker/dealer selling direct participation interests in mutual funds and real estate, oil and gas partnerships on a commission basis.

Revenue Recognition

Commission income is recognized on a trade-date basis.

Income Taxes

The Company has elected to be taxed as a small business corporation and, therefore, all income is taxed directly to its shareholders for Federal Income Tax purposes. For state tax purposes no provision for Illinois Replacement Tax has been included.

Policy of Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months.

Other Comprehensive Income

For the year ended December 31, 2004 the Company incurred no item of comprehensive income other than those reported on the income statement. The Company has no accumulated items of comprehensive income to be reported separately on the balance sheet at December 31, 2004.

FOX & HENRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

2. COMMITMENTS

The Company leases office space under a month to month lease expiring January 31, 2005.

Minimum future rental payments under the month to month operating lease is as follows:

| | |
|--------------------------------------|-----------------|
| 2005 | \$ <u>1,078</u> |
| Total Minimum Future Rental Payments | \$ <u>1,078</u> |

3. RELATED PARTY TRANSACTIONS

The shareholders of the Company are general partners in certain real estate partnerships, which are operated out of the Company's office facility. The Company was reimbursed \$65,557 by the related partnerships for office overhead.

4. RECONCILIATION OF NET CAPITAL

| | |
|--|------------------|
| Net Capital - Financial and Operational Combined Uniform Single Report As of December 31, 2004 | \$ <u>37,489</u> |
| Net Capital - Financial Report | \$ <u>38,567</u> |
| Difference | \$ <u>1,078</u> |

SUPPLEMENTARY INFORMATION



George Korbakes & Co., LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT
ON THE INTERNAL CONTROL STRUCTURE**

To the Stockholders and the Board of Directors
Fox & Henry, Inc.

We have examined the financial statements of Fox & Henry, Inc. For the year ended December 31, 2004 and have issued our report thereon dated February 21, 2005. As part of our examination, we made a study and evaluation of the Company's internal control structure to the extent we considered necessary to evaluate the structure as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Also as required by Rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by Fox & Henry, Inc. That we considered relevant to the objectives stated in SEC Rule 17a(g), (1) in making the periodic computations of net capital under SEC Rule 17a-3(a) (11).

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. The objectives of a structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. SEC Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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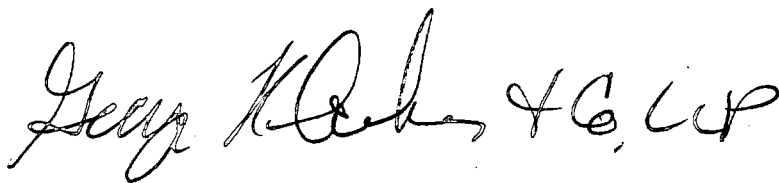
Independent Auditor's Report on the
Internal Control Structure (Continued)

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Fox & Henry, Inc. taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for their purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Act of 1934, and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "George Korbakes & Co., LLP". The signature is fluid and cursive, with the company name written in a stylized manner.

Burr Ridge, Illinois

February 21, 2005

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George Korbakes & Co., LLP